DEPARTMENT OF ENVIRONMENT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Commercial Revolving Fund as at March 31, 2004 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure/(recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
June 3, 2004

Statement 1

COMMERCIAL REVOLVING FUND
BALANCE SHEET
As at March 31

	2004	2003
ASSETS		
Current Assets:		
Lease receivable (Note 9)	$ 281,495	$ 216,973
Inventories	192,679	170,673
	474,174	387,646
Capital assets (Note 5)	---	1,368,063
Accumulated net recovery (Statement 3 and Note 9)	490,710	---
	964,884	1,755,709
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable (Note 9)	671,300	563,633
Non-current liabilities:		
Accumulated net expenditure (Statement 3 and Note 9)	---	943,859
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	293,584	248,217
	$ 964,884	$ 1,755,709

(See accompanying notes to the financial statements)

Statement 2

COMMERCIAL REVOLVING FUND

STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)

For the Year Ended March 31

	2004		2003
	Budget	Actual	Actual
Revenues:	(Note 8)		
Camping	$ 3,550,000	$ 4,176,548	$ 3,737,606
Entry	1,750,000	2,004,059	1,831,103
Cottage leases	1,580,000	1,579,906	1,577,993
Resource management leases	700,000	670,898	740,646
Swimming & accommodation	400,000	490,022	438,551
Commercial leases	440,000	468,076	419,720
Other	330,000	395,621	406,390
Gain on disposal of capital assets	---	4,704	30,608
	8,750,000	9,789,834	9,182,617
Expenses:			
Salaries and benefits	9,315,000	9,413,369	9,089,794
Contractual services	2,050,000	2,410,193	2,346,516
Supplies and service	1,278,000	1,454,825	1,267,953
Travel and business	900,000	1,007,138	1,007,722
Amortization	300,000	346,289	301,703
Communication	220,000	165,692	193,495
Bank charges	60,000	74,631	66,290
Bad debt	---	70,880	(21,519)
Other	10,000	45,000	5,880
Maps, manuals and miscellaneous items	30,000	40,662	54,724
Tools and office supplies	70,000	15,788	31,691
	14,233,000	15,044,467	14,344,249
Loss from operations	(5,483,000)	(5,254,633)	(5,161,632)
Subsidy from General Revenue Fund	5,483,000	5,300,000	5,400,000
Net income/(loss) (Note 10)	$ ---	45,367	238,368
Accumulated operating surplus/(deficit), beginning of year		248,217	9,849
Accumulated operating surplus/(deficit), end of year-to Statement 1		$ 293,584	$ 248,217

(See accompanying notes to the financial statements)

Statement 3

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2004	2003
Financing (provided by)/required for operating activities:		
Net(income)/loss	$ (45,367)	$ (238,368)
Items not affecting working capital		
-amortization	(346,289)	(301,703)
-gain on disposal of capital assets	4,704	30,608
Net increase/(decrease) in working capital items related to operations (Note 6)	(21,139)	(205,298)
Net financing (provided by)/required for operating activities	(408,091)	(714,761)
Financing (provided by)/required for investing activities:		
Purchase of capital assets	381,727	502,489
Proceeds from disposal of capital assets	(4,748)	(34,262)
Net financing (provided by)/required for investing activities	376,979	468,227
Net increase/(decrease) in financing requirements	(31,112)	(246,534)
Accumulated net expenditure/(recovery), beginning of year	943,859	1,190,393
Transfer of capital assets (Note 5)	(1,403,457)	---
Accumulated net expenditure/(recovery), end of year - to Statement 1	$ (490,710)	$ 943,859

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development and management of provincial parks. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/(Recovery) and Note 6. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired at no charge from or transferred to another government agency.

c) Inventories

Inventories consist of maps, wildlife manuals, pins, and other miscellaneous items held for resale and are valued at the lower of average cost and net realizable value.

d) Capital Assets

Individual capital assets costing more than $500 are capitalized. Amortization commences in the first year of acquisition and is calculated on the straight-line basis over the useful life of the asset. Annual amortization rates are from 5% to 33% for equipment and 10% for furnishings.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the

Lieutenant Governor in Council. A maximum amount of $4,000,000 was established by Order in Council 516/94.

4. Accumulated Operating Surplus/(Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/(deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/(deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus/(deficit) as $350,000.

5. Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ ---	$ ---	$ ---	$ 1,292,622
Furniture and Fixtures	---	---	---	75,441
	$ ---	$ ---	$ ---	$ 1,368,063

In January 2004, Treasury Board approved the transfer of the Revolving Fund's capital assets to the Department of Environment. This transfer occurred on March 31, 2004 at net book value. The assets' cost of $7,796,560 and accumulated amortization of $6,393,103 have been reduced to $nil and the accumulated net expenditure have been reduced by the net book value of $1,403,457. In the future, the Department will provide use of capital assets to the Revolving Fund.

6. Net Change in Working Capital Items Related to Operations

	2004	2003
Increase (Decrease) in lease receivable	$ 64,522	$ (64,325)
Increase (Decrease) in inventories	22,006	(5,015)
(Increase) in accounts payable	(107,667)	(135,958)
	$ (21,139)	$ (205,298)

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

Category	2004	2003
Contractual services	$ 1,438,653	$ 1,441,357
Travel and business	789,858	782,820
Supplies and service	104,010	103,999
Capital asset purchases	71,996	68,382
Communication	169	138
Tools and office supplies	52	13,045
Accounts payable	4,083	49,590

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions, with related parties, and amounts due to/from them are described separately in the financial statements and the notes thereto.

The Department of Environment is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to provincial park land.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

8. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

9. Financial Instruments

The Revolving Fund's financial instruments include lease receivable and accounts payable. Due to their immediate or short-term maturity, the fair value of these instruments approximates their carrying value.

The fair value of the accumulated net expenditure/(recovery) has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to credit risk from the potential non-payment of leases receivable. An allowance for doubtful accounts is recorded for all these accounts that are considered uncollectible. The Revolving Fund has recorded an allowance for doubtful accounts for the year of $238,163 (2003 - $167,283).

10. Amount Reported in Public Accounts

The net (expenditure)/recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in

accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2004	2003
Net income/(loss)	$ 45,367	$ 238,368
(Increase) Decrease in inventory	(22,006)	5,015
(Increase) in net book value of capital assets prior to transfer to the Department	(35,394)	(197,130)
Amounts not included (included) in Public Accounts due to timing	(51,001)	(159,838)
Net (expenditure)/recovery reported in Public Accounts	$ (63,034)	$ (113,585)